

**Financial Statements**  
**Seville Township**  
**Gratiot County, Michigan**  
**March 31, 2006**



## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Seville Township	County Gratiot
Fiscal Year End 3-31-06	Opinion Date 7-25-06	Date Audit Report Submitted to State 9-14-06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

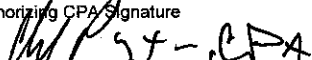
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations):

**YES NO** Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	NO OTHER REPORTS REQUIRED	
Certified Public Accountant (Firm Name) Roslund, Prestage & Company, P.C.		Telephone Number 989-463-6123	
Street Address 308 Gratiot Avenue		City Alma	State MI
Zip 48801			
Authorizing CPA Signature 		Printed Name CHAD R. PAYTON, CPA	
License Number 21946			

Seville Township  
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March 31, 2006

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## INDEPENDENT AUDITOR'S REPORT

Seville Township  
Gratiot County, Michigan

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Seville Township, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township, as of March 31, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated July 25, 2006, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages I-III, and budgetary comparison information on page 20, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Roslund, Prestage & Co, P.C.*  
Roslund, Prestage & Company, P.C.  
Certified Public Accountants

July 25, 2006



## **MANAGEMENT DISCUSSION AND ANALYSIS**

Seville Township  
Management's Discussion and Analysis  
For the Fiscal Year Ended March 31, 2006

We, the Board of Seville Township, offer citizens of the Township our financial statements with the narrative overview and analysis of the financial activities of Seville Township for the fiscal year ended March 31, 2006.

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of Seville Township as a whole, and present a longer-term view of the Township's finances.

Fund financial statements tell who these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

### **Financial Highlights**

The unrestricted net assets of Seville Township's governmental activities exceeded its liabilities at the close of the current fiscal year by \$324,759 which may be used to meet the Township's ongoing obligations to citizens and creditors.

Additionally, the Township's governmental funds reported an ending fund balance of \$324,759, a decrease of \$18,371 from the prior year fund balance.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**Government-wide financial statements** - The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works, and community and economic development.

**Fund financial statements** - A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, fiduciary funds, and discretely presented component units.

**Governmental funds** - *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information is useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers will better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.



**Fiduciary funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the government (i.e. tax collection fund). Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs.

**Notes to the financial statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information** - In addition to the basic financial statements and the accompanying notes, this report also presents certain *required supplementary information* as required by GASB statement 34 regarding the Township's budgetary comparison of the general fund. This supplementary information is contained behind its own tab following the notes to financial statements.

### **Township Highlights**

- Seville Township contracted with the State of Michigan Department of Corrections to significantly decrease the funds spent on cemetery maintenance. We will continue this arrangement as long as it is available to us.
- Seville Township continues to reimburse the local First Responders for emergency services provided to the township.
- Sand was brought in to upgrade to the Riverdale ball diamond and maintenance was performed to the dugout and bleachers.
- Seville Township provided free large item and general trash disposal in the spring at sites in Elwell and Riverdale for township residents.
- The township continued the annual donation to assist support of the Seville Library in Riverdale.

### **Requests for Information**

This financial report is designed to provide our citizens and taxpayers with a general overview of the Township's finances and to demonstrate the township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact a Seville Township board member at 989-463-6180, or write to us at:

**Seville Township  
8143 W. Madison Road  
Elwell, MI 48832**

**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**

Seville Township  
Statement of Net Assets  
March 31, 2006

	Primary Government	
	Governmental Activities	Discrete Component Units
<b>ASSETS</b>		
Current assets		
Cash	\$309,817	\$18,108
Due from other governmental units	<u>27,272</u>	<u>-</u>
Total current assets	337,089	18,108
Noncurrent assets		
Capital assets, less accumulated depreciation	<u>48,269</u>	<u>3,198</u>
Total assets	<u>385,358</u>	<u>21,306</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	<u>\$12,330</u>	<u>-</u>
Total current liabilities	<u>12,330</u>	<u>-</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	48,269	3,198
Unrestricted	<u>324,759</u>	<u>18,108</u>
Total net assets	<u><u>\$373,028</u></u>	<u><u>\$21,306</u></u>

See Accompanying Notes to Financial Statements.

Seville Township  
Statement of Activities  
For The Year Ended March 31, 2006

Functions / Programs	Program Revenues			Net (expense) revenue and changes in net assets
	Expenses	Charges for Services	Operating Grants	
<b>Primary Government</b>				
General government	\$95,023	\$1,978	-	(\$93,045)
Public safety	71,544	-	-	(71,544)
Public works	67,540	-	-	(67,540)
Community and economic development	6,069	1,120	-	(4,949)
Total primary government	\$240,176	\$3,098	-	(237,078)
<b>Component units</b>				
Seville Township Library	\$55,235	-	\$42,189	(\$13,046)
<b>General Revenues</b>				
Property taxes			40,724	-
State-shared revenues			167,323	-
Unrestricted investment earnings			3,637	-
Miscellaneous			4,010	7,533
Transfers			(4,000)	4,000
Total general revenues and transfers			211,694	11,533
Change in net assets			(25,384)	(1,513)
Net assets - beginning of year			398,412	22,819
Net assets - end of year			\$373,028	\$21,306

See Accompanying Notes to Financial Statements.

# **FUND FINANCIAL STATEMENTS**

Seville Township  
Balance Sheet  
Governmental Funds  
March 31, 2006

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	<u>General Fund</u>
Assets	
Cash	\$309,817
Due from other governmental units	<u>27,272</u>
Total assets	<u><u>\$337,089</u></u>
Liabilities	
Accounts payable	<u>\$12,330</u>
Total liabilities	<u>12,330</u>
Fund balances	
Unreserved	<u>324,759</u>
Total fund balances	<u>324,759</u>
Total liabilities and fund balances	<u><u>\$337,089</u></u>

See Accompanying Notes to Financial Statements.

Seville Township  
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds  
to Net Assets of Governmental Activities on the Statement of Net Assets  
For The Year Ended March 31, 2006

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Total fund balance - governmental funds	\$324,759
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Add: cost of capital assets	175,584
Deduct: accumulated depreciation	<u>(127,315)</u>
Net assets of governmental activities	<u><u>\$373,028</u></u>

See Accompanying Notes to Financial Statements.

Seville Township  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended March 31, 2006

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	General Fund
Revenues	
Taxes and penalties	\$40,724
Licenses and permits	1,120
State grants	167,323
Charges for services	1,978
Interest and rents	3,637
Other revenues	4,010
	<hr/>
Total revenues	218,792
	<hr/>
Expenditures	
General government	88,010
Public safety	71,544
Public works	67,540
Community and economic development	6,069
	<hr/>
Total expenditures	233,163
	<hr/>
Excess of revenues over (under) expenditures	(14,371)
Other financing sources (uses)	
Operating transfers out	(4,000)
	<hr/>
Total other financing sources (uses)	(4,000)
	<hr/>
Excess of revenue and other sources over (under) expenditures and other uses	(18,371)
Fund balance - beginning of year	343,130
	<hr/>
Fund balance - end of year	\$324,759
	<hr/> <hr/>

See Accompanying Notes to Financial Statements.



Seville Township  
Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For The Year Ended March 31, 2006

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Net change in fund balances - total governmental funds (\$18,371)

Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However,  
in the statement of activities, the cost of those assets is allocated over  
their estimated useful lives as depreciation expense.

Deduct: depreciation expense (7,013)

Change in net assets of governmental activities (\$25,384)

See Accompanying Notes to Financial Statements.

Seville Township  
Statement of Net Assets  
Fiduciary Funds  
Year Ended March 31, 2006

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	<u>Tax Collection</u>
Assets	
Cash	<u>-</u>
Total assets	<u><u>-</u></u>
Liabilities	
Due to general fund	<u>-</u>
Total liabilities	<u><u>-</u></u>

See Accompanying Notes to Financial Statements.

Seville Township  
Statement of Net Assets  
Component Units  
March 31, 2006

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	Library Fund
<b>ASSETS</b>	
Cash	\$18,108
Capital assets, less accumulated depreciation	<u>3,198</u>
Total assets	<u>21,306</u>
<b>LIABILITIES</b>	<u>-</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	3,198
Unrestricted	<u>18,108</u>
Total net assets	<u><u>\$21,306</u></u>

See Accompanying Notes to Financial Statements.

Seville Township  
Statement of Activities  
Component Units  
For the Year Ended March 31, 2006

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
<b>Seville Township Library</b>				
Recreation and culture	<u>\$55,235</u>	<u>-</u>	<u>\$42,189</u>	<u>(\$13,046)</u>
<b>General Revenues</b>				
Miscellaneous				7,533
Transfers				<u>4,000</u>
Total general revenues and transfers				<u>11,533</u>
Change in net assets				(1,513)
Net assets - beginning of year				<u>22,819</u>
Net assets - end of year				<u>\$21,306</u>

See Accompanying Notes to Financial Statements.

## **NOTES TO THE FINANCIAL STATEMENTS**

Seville Township  
Notes to Financial Statements  
March 31, 2006

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of Seville Township (the Township) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township.

**New Accounting Standards Adopted**

In fiscal year 2006, the Township adopted three new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*
- No. 37 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus – (an Amendment to No. 34)*
- No. 38 – *Certain Financial Statement Note Disclosures.*

Statement No. 34 (as amended by Statement No. 37) represents a very significant change in the financial reporting model used by state and local governments.

Statement No. 34 requires government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund or account group, but distinguish between the Township's governmental activities, business-type activities, and activities of its discretely presented component units on the statement of net assets and statement of activities. Significantly, the Township's statement of net assets includes both noncurrent assets and noncurrent liabilities of the Township, which were previously recorded in the General Fixed Assets Account Group and the General Long-term Debt Account Group.

In addition to the government-wide financial statements, the Township has prepared fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus. The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Seville Township  
Notes to Financial Statements  
March 31, 2006

Statement No. 34 also requires certain required supplementary information in the form of *Management's Discussion and Analysis* which includes an analytical overview of the Township's financial statements. In addition, a budgetary comparison statement is presented that compares the adopted and modified budget for all major funds with actual results.

Statement No. 37 amends GASB Statements No. 21 and 34. The amendments to Statement 21 are necessary because of the changes to the fiduciary fund structure required by Statement 34.

GASB has issued Statement No. 38, *Certain Financial Statement Note Disclosures* which modifies, establishes and rescinds certain financial statement disclosure requirements.

### **Reporting Entity**

The Township is governed by an elected five-member council. As required by accounting principles generally accepted in the United States of America, these financial statements present the Township and its component units; entities for which the Township is considered to be financially accountable. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government.

### **Joint Ventures**

Rural Urban Fire Control Board – The Township is a member of the Rural Urban Fire Control Board which is a joint venture between the City of Alma and the Townships of Arcada, Pine River, Seville and Sumner. The Board provides fire protection services to the Rural Urban Fire District. The membership of the Board is composed of seven members, of which the Township is represented by the Supervisor. The Board is responsible for preparing an annual budget (which is approved by the City and the Townships) and to carry out all activities of the Board.

The Board has established a funding formula based on assessed valuation, population, and runs. The fire fighting equipment is owned jointly by the member municipalities. The City of Alma provides day-to-day management oversight of this joint venture.

For the period April 1, 2005 through March 31, 2006, the Township's contribution to the Board was \$67,942.

The Township is unaware of any circumstances that would cause it an additional benefit or burden in the near future. Complete financial statements for the year ended June 30, 2006 can be obtained by writing to: City of Alma, 525 Superior Street, PO Box 278, Alma, Michigan, 48801.

Seville Township  
Notes to Financial Statements  
March 31, 2006

**Discretely Presented Component Units**

The following component units are reported as a separate set of statements in the fund financial statements. They are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Township.

Seville Township Library – The Seville Township Library, which was established pursuant to section 10, 1877 PA 164, has a six-member elected library board. The library may not issue debt or levy a tax without the approval of the Seville Township Board.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to consumers who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.



Seville Township  
Notes to Financial Statements  
March 31, 2006

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements - The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, claims and judgments are recorded only when payment is due.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fiduciary Fund Financial Statements – Fiduciary funds account for assets held by the Township as a trustee or agency capacity on behalf of others and, therefore, are not available to support Township operations. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. Fiduciary funds are not included in the government-wide financial statements as they are not an asset of the Township available to support Township's operations. The Township currently maintains an agency fund to account for the monies collected and paid to various governmental entities for property tax collections.

The Township reports the following major governmental funds:

The General Fund - The Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Seville Township  
Notes to Financial Statements  
March 31, 2006

**Budgets and Budgetary Accounting**

Budgets are adopted by the Township for the general fund. The budget is adopted and prepared on the modified accrual basis of accounting. The budget is adopted at the function level. The budgeted revenues and expenditures for governmental fund types, as presented in this report, include any authorized amendments to the original budget as adopted.

**Property Taxes**

Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property located in the Township as of the preceding December 31<sup>st</sup>. These taxes are due on February 14<sup>th</sup> with the final collection date of February 28<sup>th</sup> before they are added to the county delinquent tax rolls.

For Township operations, the 2005 Taxable Valuation of the Township totaled \$37,058,271, on which .8774 mills were levied.

The total 2005 levy for the Township was \$32,515.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**Inventories**

Inventories, which are immaterial in amount, are not recognized as an asset in these financial statements. Inventories are recorded as expenditures at the time of purchase in the governmental and proprietary fund types.

**Deposits**

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit.

Seville Township  
Notes to Financial Statements  
March 31, 2006

**Receivables**

Receivables have been recognized for all significant amounts due the Township in accordance with the accounting principles used for the particular fund. Valuation reserves have not been provided since their collection is not considered doubtful and any uncollected amounts would be immaterial.

**Capital Assets**

Capital assets, which include property, plant and equipment, of the governmental activities are reported in the governmental column in the government-wide financial statements. Capital assets of the component unit are reported in the component unit column on the statement of net assets. Capital assets are defined by the Township as individual assets with an initial cost equal to or more than \$50 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

The Township does not have infrastructure type assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction of capital assets is not capitalized. No interest expense was incurred during the current year.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

Capital assets of the Township are depreciated using the straight line method over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
Land	Not Applicable – Not Depreciated
Buildings & Improvements	25 – 40
Equipment	5 – 10

Seville Township  
Notes to Financial Statements  
March 31, 2006

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted at the function level and on a basis consistent with generally accepted accounting principles for the general fund and the library fund. All annual appropriations lapse at fiscal year end. The Township does not maintain a formalized encumbrance accounting system. The budgeted revenues and expenditures, as presented in this report, include any authorized amendments to the original budgets as adopted.

**Excess of Expenditures over Appropriations**

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended March 31, 2006, the Township did not incur any expenditure in excess of the amounts appropriated. See page 20 of this report for more detail.

**NOTE 3 - DETAILED NOTES**

**Cash and Cash Equivalents**

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township has designated three banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments noted above.

Township's deposits and investments are in accordance with statutory authority.

Seville Township  
Notes to Financial Statements  
March 31, 2006

At March 31, 2006, the carrying amount of the Township's cash and cash equivalents was as follows:

	Governmental Activities	Component Units
Cash Deposits	\$141,900	\$18,108
Certificates of Deposit	167,917	-
Total	\$309,817	\$18,108

The bank balance of the primary government's deposits was \$274,093, of which \$268,430 was covered by federal depository insurance. The remainder was uninsured and uncollateralized. The component unit's deposits had a bank balance of \$18,262, of which all was covered by federal depository insurance. Deposits which exceed FDIC insurance coverage limits are held at local banks.

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits government funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

### Capital Assets

A summary of changes in general fund capital assets follows:

	April 1, 2005	Additions	Disposals	March 31, 2006
Land	\$30,000	-	-	\$30,000
Buildings & Improvements	83,588	-	-	83,588
Office Equipment & Furniture	11,132	-	-	11,132
Park Equipment	8,003	-	-	8,003
Cemetery Equipment	8,728	-	-	8,728
Fire Equipment	34,133	-	-	34,133
Sub-totals	175,584	-	-	175,584
Accumulated Depreciation	(120,302)	(\$7,013)	-	(127,315)
Totals	\$55,282	(\$7,013)	-	\$48,269

Depreciation expense was charged to the general government function.

Seville Township  
Notes to Financial Statements  
March 31, 2006

A summary of changes in library fund capital assets follows:

	April 1, 2005	Additions	Disposals	March 31, 2006
Equipment	\$11,511	\$2,382	-	\$13,893
Accumulated Depreciation	(9,637)	(1,058)	-	(10,695)
Totals	\$1,874	\$1,324	-	\$3,198

Depreciation expense was charged to the recreation and culture function.

### **Risk Management**

The Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters. The Township has purchased commercial insurance from independent insurance providers. Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage obtained through commercial insurance during the past year.

### **Employees Retirement System – Defined Contribution Pension Plan**

#### Plan Description

Seville Township participates in the John Hancock Defined Contribution Pension Plan for Michigan Township Employees. The name of the plan is the Seville Township Group Pension Plan.

All members of the Township Board and all Township Employees are eligible to participate in the plan. As of March 31, 2006, the pension plan's current membership was 6 employees.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined. The amounts participants receive depend solely on the amount contributed to the participant's account and the returns earned on those contributions.

Seville Township  
Notes to Financial Statements  
March 31, 2006

Funding Policy

Employer contributions for each participant will be 15% of compensation. In addition, employees may make voluntary contributions on an after-tax basis in amounts ranging from 1% to 10% of compensation.

Benefits are 100% vested upon plan participation.

During the year, the Township's actual contributions to the plan amounted to \$8,093.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

**Building Inspection Department Fund**

Public Act 245 of 1999 was signed on December 28, 1999 and took immediate effect. This act amends the State Construction Code Act (Public Act 230 of 1972) and requires, among other things, the establishment of a special revenue fund to account for the revenues and expenditures associated with issuing building permits, examining plans and specifications, inspecting construction before issuing permits, and issuing certificates of use and occupancy.

The Township has not established this fund because the fee structure is not intended to recover the full cost and the Township has the ability to track the full costs and revenues of this activity without creating a separate fund.

The revenues generated under this act for the year ended March 31, 2006 were \$1,120. The expenditures incurred for this activity during the year ended March 31, 2006 were \$6,069.

**REQUIRED SUPPLEMENTAL INFORMATION**

**BUDGETARY COMPARISON SCHEDULE**



Seville Township  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds - Budget to Actual  
Year Ended March 31, 2006

	Budgeted Amounts			Actual over (under) budget
	Original	Final	Actual	
Revenues				
Taxes and penalties	\$36,130	\$36,130	\$40,724	\$4,594
Licenses and permits	1,250	1,250	1,120	(130)
State grants	137,000	137,000	167,323	30,323
Charges for services	2,000	2,000	1,978	(22)
Interest and rentals	4,500	4,500	3,637	(863)
Other revenues	4,700	4,700	4,010	(690)
Total revenues	<u>185,580</u>	<u>185,580</u>	<u>218,792</u>	<u>33,212</u>
Expenditures				
General government	103,940	103,940	88,010	15,930
Public safety	73,700	73,700	71,544	2,156
Public works	74,360	74,360	67,540	6,820
Community and economic development	6,108	6,108	6,069	39
Capital outlay	5,000	5,000	-	5,000
Total expenditures	<u>263,108</u>	<u>263,108</u>	<u>233,163</u>	<u>29,945</u>
Excess of revenues over (under) expenditures	(77,528)	(77,528)	(14,371)	63,157
Other financing sources (uses)				
Operating transfers (out)	<u>(4,000)</u>	<u>(4,000)</u>	<u>(4,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(4,000)</u>	<u>(4,000)</u>	<u>(4,000)</u>	<u>-</u>
Excess of revenue and other sources over (under) expenditures and other uses	(81,528)	(81,528)	(18,371)	63,157
Fund balance - beginning of year	<u>343,130</u>	<u>343,130</u>	<u>343,130</u>	<u>-</u>
Fund balance - end of year	<u>\$261,602</u>	<u>\$261,602</u>	<u>\$324,759</u>	<u>\$63,157</u>

See Accompanying Notes to Financial Statements.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Township Board  
Seville Township  
Gratiot County, Michigan

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Seville Township (the Township) as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements and have issued our report thereon dated July 25, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Township in a separate letter dated July 25, 2006.

This report is intended solely for the information of management and the Township Board and is not intended to be and should not be used by anyone other than these specified parties.

*Roslund, Prestage & Co, PC*  
Roslund, Prestage & Company, P.C.  
Certified Public Accountants

July 25, 2006



## Management Letter

Members of the Board  
Seville Township, Michigan

In planning and performing our audit of the financial statements of Seville Township for the fiscal year ended March 31, 2006, we considered the internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our audit report dated July 25, 2006, on the financial statements of Seville Township.

We will review the status of these comments during our next audit engagement. We have discussed these comments and suggestions with management, and will be pleased to discuss them in further detail at your convenience.

Sincerely,

*Roslund, Prestage & Co, P.C.*  
Roslund, Prestage & Company, P.C.  
Certified Public Accountants

July 25, 2006

### **Organizational Structure**

The size of the organization's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that all Township Board Members remain involved in the financial affairs of the organization to provide oversight and independent review functions of the monthly financial reports, bank statements, cancelled checks, paid invoices, and consideration of possible cash transactions.

### **Improve Financial Records**

We believe that, at present, the Township does not maintain an adequate general ledger. Certain receipts and disbursements are recorded on hand written worksheets; however, such transactions are not summarized in a general ledger with a true debit and credit format. The importance of a good accounting system cannot be overemphasized. Without adequate financial records, management is basing its decision on incomplete and/or inaccurate information during the year, and excessive time is spent at year end in preparing and auditing the financial statements. We therefore recommend that in the future, the Township record its financial activity in a computerized general ledger package.

### **Coding of Expenses**

During our audit, we conducted a test of disbursements on certain invoices paid during the year. During this audit procedure, we found several instances where the account coding listed on the paid invoice / cancelled checks did not agree with the general ledger worksheets. In the future, we recommend ample time be taken by accounting personnel to ensure account coding on source documents agrees with the general ledger worksheets. Additionally, we recommend accounting personnel follow the Michigan Department of Treasury Uniform Chart of Accounts for Counties and Local Units of Governments.

### **Payment of Sales Taxes**

During our audit, we noted the Township paid sales tax on certain purchases. We recommend the Township establish an understanding with all vendors that they are exempt from paying sales taxes due to their status as a governmental entity. Also, we recommend the Township pay all invoices of the Township directly rather than on a reimbursement basis, where feasible, in order to avoid payment of sales taxes.